

MEMORANDUM

TO: Mayor Domenic J. Sarno

FROM: Kevin E. Kennedy, Chief Development Officer

DATE: October 24, 2012

RE: Evaluation of and Recommendation Concerning Phase I – RFQ/P Responses for a Proposed Destination Casino Resort Development for the City of Springfield

1. **Purpose of this Memorandum.**

The purpose of this memorandum is to (i) summarize the evaluation of the responses received by the City to the City’s Phase I - RFQ/P, bid no. 13-134, dated September 21, 2012, covering a proposed destination casino resort to be located in the City (the “Phase 1 - RFQ/P”); and (ii) provide you with a recommendation as to whether the responses to the Phase 1 – RFQ/P qualify the responders to participate in the second phase of the casino selection process.

2. **Background.**

Pursuant to “An Act Establishing Expanded Gaming in the Commonwealth”, codified at Chapter 194 of the Acts of 2011 and any regulations promulgated thereunder (collectively, the “Act”), a host community agreement is a requirement for an applicant for a category 1 license in Western Massachusetts.

On August 27, 2012, your Honor announced that the City would conduct a two-phase process to select one or more casino companies with whom the City would negotiate a host community agreement to construct and operate a destination casino resort project in the City. The purpose of the first phase of this selection process is to pre-qualify enterprises desirous of participating in the second phase of the selection process based on the overall financial stability of the proposers, their experience and general project concept.

No limit was placed on the number of Phase I – RFQ/P responders who would be permitted to participate in the City’s second phase of the selection process. The Phase I – RFQ/P was issued by the City on September 21, 2012. A copy of the Phase I – RFQ/P was posted on the webpage of the Springfield Redevelopment Authority (“SRA”) on the date it was issued and a direct link to the webpage was provided on the City’s home page of its website. The City’s procurement office transmitted copies of Phase I – RFQ/P directly to Ameristar Casinos, Inc. (“Ameristar”), MGM Resorts International (“MGM”), Penn National Gaming, Inc. (“Penn”) and Hard Rock Hotels & Casinos (“Hard Rock”), all of whom had announced their interest in participating in the Phase I – RFQ/P process, as well as to additional casino companies and casino financial parties who were identified by Shefsky & Froelich Ltd. In addition, there was wide-spread media coverage of the City’s commencement of its casino selection process. The

Phase I – RFQ/P process provided that the City would accept written questions from interested proposers through September 28, 2012. Sixteen questions were received and both the questions and the City’s responses were posted to the SRA webpage in accordance with the procedures set forth in the Phase I – RFQ/P. Please note that the review of the financial capabilities of the proposers was limited to a review of the materials submitted by the proposers as part of their response to the Phase I-RFQ/P and SEC filings. Under the Act, the Commission has the responsibility to conduct the full financial and probity investigations.

3. **Evaluation of Responses.**

Responses to the Phase I – RFQ/P were due by 2:00 p.m., Eastern Standard Time, on October 11, 2012. This deadline was extended to 5:00 p.m., Eastern Standard Time, by notice posted to the SRA webpage. By the response deadline, the City received responses to the Phase I – RFQ/P from Ameristar, MGM and Penn. According to media reports, Hard Rock elected not to participate in the City’s casino selection process. On October 17, 2012, an internal review committee consisting of Kevin Kennedy, Chief Development Officer, Richard Allen, Chairman, Board of Assessors, Kathleen Breck, Deputy Solicitor, Al Chwalek, DPW Director, Phil Dromey, Deputy Planning Director, and Timothy J. Plante, Chief Financial Officer, met to discuss the proposals with regard to the general and specific submittal requirements. Edward M. Pikula, City Solicitor, and consultants from the law firm of Shefsky & Froelich participated in the meeting via conference call and provided additional advice and guidance. The Phase I – RFQ/P had both general and specific submittal requirements. The following is the group’s evaluation as to whether the three proposals met such submittal requirements.

- (a) General Submittal Requirements. Each proposer was required to submit the following to the City by the deadline indicated above:
 - (i) Ten hard copies of its complete response to the Phase I – RFQ/P;
 - (ii) One electronic copy of its complete response Phase I – RFQ/P;
 - (iii) A fully-executed consent and release in the form attached to the Phase I – RFQ/P as Exhibit B; and
 - (iv) A submittal fee of \$50,000.

In addition, three hard copies of each proposer’s complete response Phase I – RFQ/P were to be delivered to Shefsky & Froelich Ltd. We have determined that each of Ameristar, MGM and Penn has met each of these submittal requirements.

The Phase I – RFQ/P provided that in order for a proposer to pre-qualify to participate in the second phase of the City’s casino selection process, its responses to each of fifteen specific items would be evaluated based upon the quality of its responses to the following Criteria (the “Criteria”) with respect to the Project the proposer is offering to develop:

- (i) Background, reputation and expertise of the proposer in designing, developing and operating casino complexes and resorts similar to the Project proposed to be located in the City;

- (ii) Financial strength of the proposer and the proposer’s ability to provide or obtain financing commitments sufficient to construct the Project in the City; and
- (iii) Initial concept of the proposer’s Project.

In addition, the City reserved the right to consider any and all relevant information about the proposer known to the City.

(b) Specific Submittal Requirements. Each proposer was required to address, in detail, each of the items listed below. Listed below each item is the committee’s evaluation as to: (i) completeness of each proposer’s response and (ii) whether each proposer’s response, on its face, met the Criteria.

- (i) The name of the proposer, the contact person and the contact person’s business address, telephone and facsimile numbers and e-mail address.

Ameristar: Response complete; met the Criteria
 MGM: Response complete; met the Criteria
 Penn: Response complete; met the Criteria

- (ii) A brief description of proposer, its organizational structure and its business including names and biographies of its officers, directors, and key personnel, or persons serving in similar capacities.

Ameristar: Response complete; met the Criteria
 MGM: Response complete; met the Criteria
 Penn: Response complete; met the Criteria

- (iii) A description of proposer’s experience during the last ten (10) years in designing, developing and/or operating destination casino resort projects. For each such project, include the name and location, the total dollar investment, number of gaming devices, number and types of amenities including hotel rooms, restaurants, convention centers, entertainment venues or others, total gaming revenues for the last three (3) years, total non-gaming revenues for the last three (3) years, number of full-time employees, and approximate size of the site on which the project is located.

Ameristar: Response complete; met the Criteria
 MGM: Response complete; met the Criteria
 Penn: Response complete; met the Criteria

(iv) A brief description of any destination casino resort or other casino projects which proposer has publicly announced that proposer is in the process of pursuing, acquiring, developing or proposing to pursue, acquire or develop. Include the same information being requested in item 3, above, to the extent applicable, for each project.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(v) An indication as to whether proposer or its representatives have visited the City at any time during the last six (6) months for the purpose of determining whether the City would be a suitable location for the development of the Project.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(vi) An indication of the minimum amount of land proposer reasonably believes it will require for the Project.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(vii) An indication of the amount of land the proposer currently has under control (whether by contract, option or other means) in the City for the Project and/or proposer reasonably will be able to have under control within the next ninety (90) days. If proposer reasonably believes it will require the assistance of the City or one of its instrumentalities in order to obtain title to such land, please so indicate. Unless proposer would prefer to keep confidential its site description due to continuing negotiations with land owners or similar reasons, indicate with specificity the location of the proposer's site.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(viii) A summary of the projected total costs of the Project showing estimated land acquisition costs, hard costs (e.g., construction, site improvements, infrastructure, furnishings, etc.), construction soft costs (e.g., architectural, consulting fees, etc.), financial and other expenses.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(ix) A description of proposer's currently available sources of financing for all or a portion of the total costs of the Project, the dollar amount of any such currently available financing and the extent to which proposer reasonably believes such currently available financing will be committed to projects other than the Project over the next twenty-four (24) months.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(x) An organizational chart of the proposer including any subsidiaries showing all officers, directors (or equivalent position) and owners. For privately held companies, include the names of all ultimate individual owners, a description of their business background and a description of their role in the enterprise. For publicly traded companies, include the names of all owners owning 5% or more of the publicly traded company. If proposer currently has or expects to have "local" partners who will have an ownership in the entity developing the Project, that same information must be provided for each local partner.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

(xi) If the entity developing the Project or its affiliate will not be managing the Project, provide the name of the management company and key personnel and a description of their experience in managing destination resort casinos. Such description must include the name and location of all projects managed, the number of gaming devices, number and types of amenities including hotel rooms, restaurants, convention centers, entertainment venues or

others, total gaming revenues for the last three (3) years, total non-gaming revenues for the last three (3) years and number of full-time employees.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

- (xii) With respect to: (i) the entity proposing to develop the Project; (ii) the management company who will be managing the Project (if not an affiliate of the developer); and (iii) their respective affiliates, list the jurisdictions where each are currently or have been licensed by a gaming commission or authority. For each such jurisdiction please indicate whether any license is or has ever been suspended, revoked or terminated.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

- (xiii) A description of proposer's (or its affiliate's) experience in negotiating host community or similar agreements and the types and amounts of impact fees, sharing arrangements and other contributions made to each such host community.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

- (xiv) A brief description of proposer's concept of the Project including major components, types of amenities and possible theming, including site plans and renderings (if available) to the extent already made public.

Ameristar: Response complete; met the Criteria

MGM: Response complete; met the Criteria

Penn: Response complete; met the Criteria

- (xv) A statement as to whether proposer owns or controls any land located outside of the City, but within Region B (as described under the Act).

Ameristar: Response complete; met the Criteria
MGM: Response complete; met the Criteria
Penn: Response complete; met the Criteria

4. **Conclusion.**

As indicated above by review of the Phase I – RFQ/P submissions, in the judgment of the internal review committee, each of the proposers met both the general and specific submittal requirements to qualify to proceed to the second phase of the City’s casino selection process. It is the recommendation of the committee, therefore, that all three proposers be considered qualified for participation in the Phase II – RFQ/P. The City is extremely fortunate to have attracted three world class casino companies, each of whom, based on the information set forth in their responses to the Phase I – RFQ/P, has the background, reputation, experience and financial ability to develop and operate a first class destination casino resort project of which the City can be proud.

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